

## Let's Reconcile Together

Over the past 12 years the town has worked diligently to keep costs to our citizens down and taxes low. We have kept our annual budget frugal not to exceed our needs as a community. All along, we attempted to base our estimates on sound financial projections and practices. Until the last three years these projections were relatively easy to make. Continuous growth in revenues meant we could save our residents costs of service fees by reducing the tax rate and still provide high quality service. Over the past three years we saw a dramatic decrease in revenue due to the market drop in investments, reduced funding from state and federal sources that we have traditionally received, and reduced even forfeited assessments bringing in less money.

Our Enterprise fund business (Water and Sewer) account was no exception. With capital improvements completed three years ago to both the water and sewer plants, we have been able to provide the most up to date facilities in order to deliver the highest quality product to our residents.

In order to do these long term projects, cost of operation budgets are prepared and studied long before the construction has even started. In order to complete projects of this magnitude a certain amount of use from new customers must be calculated into the equation in order to keep the cost low. Essentially, in able to afford the cost of the new plant, we must sell new connections to new customers. While we had hoped that the market would rebound quicker, good financial planning over a decade has made it possible to subsidize these accounts during these difficult financial times.

Unfortunately, we had not planned for it to last so long. The town is in need of financial assistance to its enterprise accounts. The cost of providing these services is not being met by the users connected to the system. With only a few new customers and connection fees for nearly three years the account cannot sustain itself.

In order for the enterprise fund to become solvent a number of steps have been put into action. First we reorganized and restructured the line item budget and removed items that were not solely paid for by the enterprise fund. These items included salary and benefits for employees of the fund, removing under productive

investment accounts and raising insurance premiums to lower the cost of the insurance for the new updated facilities. We are attempting to reduce electrical cost by eliminating unneeded pumps in the wastewater plant as well. These cost cutting measures will only get us so far, we would eventually need to consider a raise the rates to account for the remaining loss in revenue.

After studying cost effective operating with our plant managers and planning funding scenarios with our engineering firm. We feel that the cost of the minimum consumption rate of use by the residents must be adjusted. In order to accumulate enough revenue to pay for the operation of the system, user rates must be raised to account for the difference. This is not an easy decision for the council, but it is our job. You elected each of us to properly plan and execute the daily operation of this municipality. Sometimes this means making difficult decisions in order to prosper. Remember as residents we too have to pay the increase in rates.

On March 9<sup>th</sup> at the monthly workshop, I will introduce an ordinance to increase the quarterly rate of water and sewer to 120.00 dollars per quarter. With this increase in revenue and cost cutting measures already put into action, we should be able to meet our financial obligations. Please remember this is not the general operating fund. These funds are only used to pay for the cost of producing and treating of water and waste water. These types of business accounts need to generate enough revenue in order to pay for the cost to produce and treat the water, and right now they're not.

The possibility does exist for the rates to be lowered again if the market and development continue to rebound. The Town Council and I are working diligently on a few projects much like Royal Farms that could bring us much needed revenue over the next two years. But our obligations to our creditors cannot wait any longer. We must put these changes in place in order to prepare for the immediate future of Cecilton. If we cannot raise enough money in order to pay the cost of operation we cannot continue to operate. It's that simple.

Please help us in our decision making process here in Town Hall. This is our town together and we would like to have you at our town meetings to help us deliberate these difficult decisions. Thank You